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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000585

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [IZ](#)  
SUBJECT: IRAQI FY09 BUDGET AS A TOOL FOR PARLIMENTARY  
INDEPENDENCE OR ELECTION CAMPAIGN

Classified By: POLCONS Robert S. Ford. Reasons 1.4 (b) and (d).

11. (C) SUMMARY: After more than two months of difficult negotiations and multiple draft laws, Iraq's parliament approved on March 5 a 2009 budget that both spends less money than the government requested and allocates spending on COR priorities that differ from those of the government. There was also a great deal of politics in this budget debate and vote. Significantly, Parliament has used this budget to attempt to constrain the power of the Prime Minister by transferring budget allocations from the Prime Minister's Office to other ministries, including the Sons of Iraq program and the controversial Tribal Support Councils. A high level Shi'a MP told poloff that the opposition does not want Maliki to have sufficient investment (capital expenditure) funds to rebuild critical infrastructure - an attempt to discredit Maliki's policies before national elections. Parliament's actions represent a significant step in its development as a political institution, demonstrating that it has the ability to challenge executive power. Final budget figures are not yet available and will be reported septel. Analysis of the political effects on various programs, including the Sons of Iraq/Sahwa program will be clearer following the final budget figures. END SUMMARY

Transfer of Moneys or Transfer of Power  
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12. (C) During the complicated Council of Representatives (CoR) proceedings that resulted in the March 5 approval of Iraq's 2009 budget, one of the most notable developments was the introduction, during floor debate, of a series of amendments that transferred 15 budget allocations from certain GOI offices or agencies to other GOI agencies. The debate was often rancorous and confused, and we are still reviewing the final text of the amendments. However, it is clear that parliament transferred at least 11 programs (amounting to more than USD 200 million) from the Prime Minister's Office, National Security Committee, or the "Commander in Chief Headquarters" to ministries or offices headed by individuals from competing parties.

13. (C) Parliament also transferred some of allocations from the Prime Minister's control to regions. For example, Najaf and Karbala will have responsibility for pilgrims' expenses, and Salah ad-Din will have authority to disburse compensation for damages resulting from terrorism and military operations. In addition, Parliament passed an amendment that prohibits the GOI from issuing bonds without CoR approval.

Parliamentary Independence  
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14. (C) Both Shi'a and Sunni Iraqi political leaders told poloff that it was "the right and the duty" of parliament to review the budget. While Shi'a opposed the GOI's basis for the budget (price per barrel of oil and daily production rates), which they thought was unrealistic and would lead to disastrous deficit spending, Sunni opposition centered on the GOI's funding of extra-constitutional or un-legislated

activities. Many criticized the activities of National Security Council head, Muwaffuq Rubaie, as constitutionally objectionable. Sunni MPs also criticized the Ministry of State for Security Affairs, the Counter Terrorism Bureau, and the National Security Council. For each of these agencies, the CoR either cut the budget, de-funded it, or transferred its allocation to another ministry's (usually non-Da'wa led) control. The Sons of Iraq (SOI)/Sahwa program was threatened with de-funding, since the program is operated out of the prime minister's office. Similarly, the controversial Tribal Support Councils program (which Maliki opponents claim have been used by the PM to generate support for the Dawa party), appears to have been transferred outside of the PM's direct control. Like similar programs, the SOI funding allocation - and presumably the program - was transferred to the Ministry of Interior.

#### National Elections -----

15. (C) Some transfers appear linked to national election politics. The 2009 budget requires the government to finance Ministry of Electricity contracts for GE and Siemens turbines from its own USD 1.42 billion budget. A high level Shi'a MP told poloff that the opposition does not want Maliki to have sufficient investment (capital expenditure) funds to rebuild critical infrastructure - an attempt to discredit Maliki's policies before national elections. Moreover, funding for Support Councils, a Maliki program that Sunni Arab and Shia Islamist opponents of Maliki claimed was used to funnel government funds to influence recent provincial elections, was transferred away from the PMO to another ministry.

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Preliminary analysis of the floor debate suggests that many of the budget cuts or budget re-allocations will financially limit Maliki's operating space in the upcoming election year.

#### Comment -----

16. (SBU) Floor debate was highly chaotic, over multiple amendments on the same article. Final budget numbers are not yet available as the CoR and Ministry of Finance have not reconciled the often vaguely worded and contradictory amendments that were passed March 5. Actual numbers and an analysis of the budget will be reported septel.

17. (C) The "Battle of the Budget" should also be considered in light of the continuing impasse over the election of a new CoR speaker. Ayad al-Samarraie, CoR leader of the Iraqi Islamic Party (IIP) and Chair of the Committee on Financial Affairs, has been the leading candidate for Speaker, but is opposed by Maliki and the PM's allies. On the budget, Samarraie played a major role in attempting to block progress on the budget pending a favorable outcome of the election of speaker. After acting Speaker Attiyah succeeded in putting the budget on the agenda, Samarraie strengthened his own political position by shrewdly using Parliament's budget power to restrict the Prime Minister's authority, a move that tapped into concerns many MPs have regarding Maliki's attempts to consolidate power. In doing so, Parliament took a major step yesterday in asserting itself as an institution and player. Samarraie also demonstrated his ability to be the strong CoR Speaker that Maliki fears might turn the CoR into a significant opposition force in Iraqi politics.

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